

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:96

ANSWERED ON:24.11.2000

VALUE OF RUPEE

ASHOK NAMDEORAO MOHOL;UMMAREDDY VENKATESWARLU

Will the Minister of FINANCE be pleased to state:

- (a) Whether the value of Indian rupee has slipped to its minimum during the current year particularly in the months of August and October, 2000 against the major foreign currencies;
- (b) if so, the extent to which the value of Indian rupee has fallen down alongwith the reasons therefor;
- (c) whether the Reserve Bank of India has sold US dollars of certain amount in the month of May, 2000.
- (d) if so, the details thereof alongwith the objectives;
- (e) the other steps being taken by the Government to check the fall of Indian rupee;
- (f) whether several industries have been affected seriously due to fall in the value of Indian currency; and
- (g) if so, the steps being taken by the Government to save the Indian industries from this situation?

Answer

FINANCE MINISTER (SHRI YASHWANT SINHA)

(a), (b), (c), (d), (e), (f) & (g) : A statement is laid on the Table of the House.

Statement referred to in Reply to parts (a) to (g) of the Lok Sabha Starred question No. 96 regarding ` Value of Rupee ` for answer on 24-11-2000.

(a) & (b) : The average exchange rate of rupee against the major foreign currencies for the months of August and October 2000 are given below:-

Month	Rupees/ US dollar	Rupees/ Euro	Rupees/ Pound st.	Rupees/ 100 Jap. Yen	Rupees/ 100 Jap. Yen
August 2000	45.68	41.38	68.02	42.30	
October 2000	46.34	39.71	67.34	42.76	

The exchange rate of the rupee in India is largely determined by market forces, and moves in both directions on a day-to-day basis depending upon the demand and supply conditions in the foreign exchange market and other short-term factors.

(c), (d) & (e) : The Reserve Bank of India sold US dollars to the extent of US \$4.1 billion during May 2000. At the same time, it purchased US dollars to the extent of US \$3.2 billion. The net sales by the RBI, therefore, amounted to US \$0.9 billion during May 2000. The RBI makes both sales and purchases of foreign exchange, the net effect of which may be different at different points of time. The developments in the financial markets in India and abroad are monitored closely both by the Government and the Reserve Bank of India and appropriate measures are taken, as and when necessary, to reduce excessive volatility in the exchange rate, prevent the emergence of destabilizing speculative activities, develop an orderly foreign exchange market condition and to help maintain adequate level of foreign exchange reserves.

(f) & (g) : The depreciation of Indian rupee encourages/stimulates industries engaged in production for exports and import substitution activities. However, there are indications of slow down in certain sectors of industry for various reasons, including the sharp increase in international oil prices. Government has undertaken a series of measures to boost investor confidence, including the mobilization of over \$ 5 billion through India Millennium Deposits, rapid reform in key sectors such as telecom and textiles, and sound fiscal management.